

## Message Text

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70

ACTION EUR-12

INFO OCT-01 NEA-09 ISO-00 EB-07 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-01 INR-07

INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 SAM-01 OES-03

SP-02 SS-15 STR-01 TRSE-00 FRB-03 FEA-01 /092 W

----- 016181

R 131515Z FEB 75

FM AMEMBASSY BONN

TO SECSTATE WASHDC 7952

INFO AMEMBASSY DUBLIN

AMEMBASSY LONDON

AMEMBASSY COPENHAGEN

AMEMBASSY THE HAGUE

AMEMBASSY BRUSSELS

AMEMBASSY PARIS

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

AMEMBASSY TEHRAN

USMISSION EC BRUSSELS

USMISSION OECD PARIS

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E.O. 11652: N/A

TAGS: ENRG, GW, IR

SUBJECT: GERMAN/IRANIAN REFINERY PROJECT

REF: BONN 00881

1. ACCORDING TO RECENT PRESS REPORTS, NEGOTIATIONS  
FOR THE PROPOSED GERMAN/IRANIAN 25 MILLION TON  
PETROLEUM REFINERY ARE IN DANGER OF COLLAPSING.  
THESE REPORTS NOTE THAT THE GERMAN FIRMS INVOLVED  
HAVE REACHED THE CONCLUSION THAT THE REFINERY CANNOT  
OPERATE ON A PROFITABLE BASIS IF IT HAS TO PAY THE  
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WORLD MARKET PRICE FOR THE CRUDE OIL INPUT. TO

BE PROFITABLE THE REFINERY NEEDS A LOWER CRUDE OIL PRICE IN ORDER TO OFFSET THE INCREASED CONSTRUCTION COSTS OF BUILDING A REFINERY IN BUSHIR AS WELL AS THE HIGHER TRANSPORTATION COSTS INVOLVED IN THE SHIPMENT OF REFINED PRODUCTS. IN ADDITION, THE REPORTS MENTION THE AS YET UNSETTLED NEGOTIATIONS WITHIN THE EUROPEAN COMMUNITY CONCERNING THE ELIMINATION OF TARIFFS ON THESE PRODUCTS. THEY NOTE FURTHER THAT THE IRANIANS HAVE STATED THAT THEY EXPECT A FINAL DECISION ON THE PART OF THE GERMAN FIRMS BY FEBRUARY 25.

2. IN CONTRAST TO HIS RECENT OPTIMISM (SEE REFTTEL), OUR ECONOMICS MINISTRY SOURCE ADMITTED THAT THE NEGOTIATIONS WERE IN A VERY PRECARIOUS STATE. HE SAID THAT THE IRANIANS HAVE MADE IT CLEAR THAT THEY HAD REACHED THE LIMITS OF THEIR NEGOTIATING FLEXIBILITY AND THAT THE TIME HAD COME FOR A GERMAN

DECISION, ALTHOUGH THEY RECOGNIZE THAT THE EC DECISION ON TARIFFS WILL TAKE ANOTHER COUPLE OF MONTHS. HE ALSO CONFIRMED THE PRESS REPORTS THAT THE PRICE ISSUE WAS THE MAJOR STUMBLING BLOCK. OUR SOURCE SAID HE EXPECTED A DECISION ON THE PART OF THE GERMAN FIRMS THIS COMING WEEKEND.  
HILLENBRAND

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NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PRESS COMMENTS, PETROLEUM, FOREIGN INVESTMENT, NEGOTIATIONS, TARIFFS, REFINERIES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 13 FEB 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
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**Office:** ACTION EUR  
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**Previous Handling Restrictions:** n/a  
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